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RAFN-17

EXCISE

INTELLIGENCE NOTE

BUREAU OF INTELLIGENCE AND RESEARCH

March 5, 1971

83

RAFN-17

PET 14 Libya

LIBYA: OUTLOOK FOR OIL NEGOTIATIONS

The prospects for a negotiated, albeit costly, settlement of current oil issues in Libya have brightened somewhat.

Financial Terms Probably Not a Major Problem. Following the Tehran agreement on Persian Gulf oil posted prices and a subsequent quadripartite meeting of Mediterranean oil exporters (Libya, Iraq, Algeria, Saudi Arabia), Libya on February 24 presented its revised demands on posted prices to the oil companies. [redacted] B1

[redacted] The companies have made their initial counter-offers [redacted] B4

The only apparent problem on the posted price concerns the Suez premium. The Libyans have insisted that this premium be made

PET 3 OPEC

PET 6 Libya

(2)

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 6/22/81
PORTIONS DENIED AS INDICATED

This report was produced by the Bureau of Intelligence and Research. Aside from normal substantive exchange with other agencies at the working level, it has not been coordinated elsewhere.

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retroactive to July 1, 1967; the companies have rejected, and are continuing to reject, this [redacted] B4 B1

[redacted]

The other potential purely financial issue, Libya's demand for a five-point increase in the tax rate, has apparently been resolved. The reinvestment issue discussed below relates primarily to government control over the oil industry. The companies evidently have accepted the Libyan position (for which Libya almost certainly had the backing of all other members of OPEC) that, since the tax rate increases negotiated in the fall of 1970 represent a method of payment for previous year claims rather than a change in the current tax rate, Libya is entitled to this increase. The companies are now prepared to meet these back claims by a special per-barrel surcharge on current production in lieu of the 1970 increases and to raise the basic tax rate from 50 percent to the present OPEC-wide minimum of 55 percent. Libya seems likely to accept this arrangement.

[redacted] B1

Algeria reached a milestone in its long-time drive for eventual 100 percent ownership and control of its oil industry by seizing

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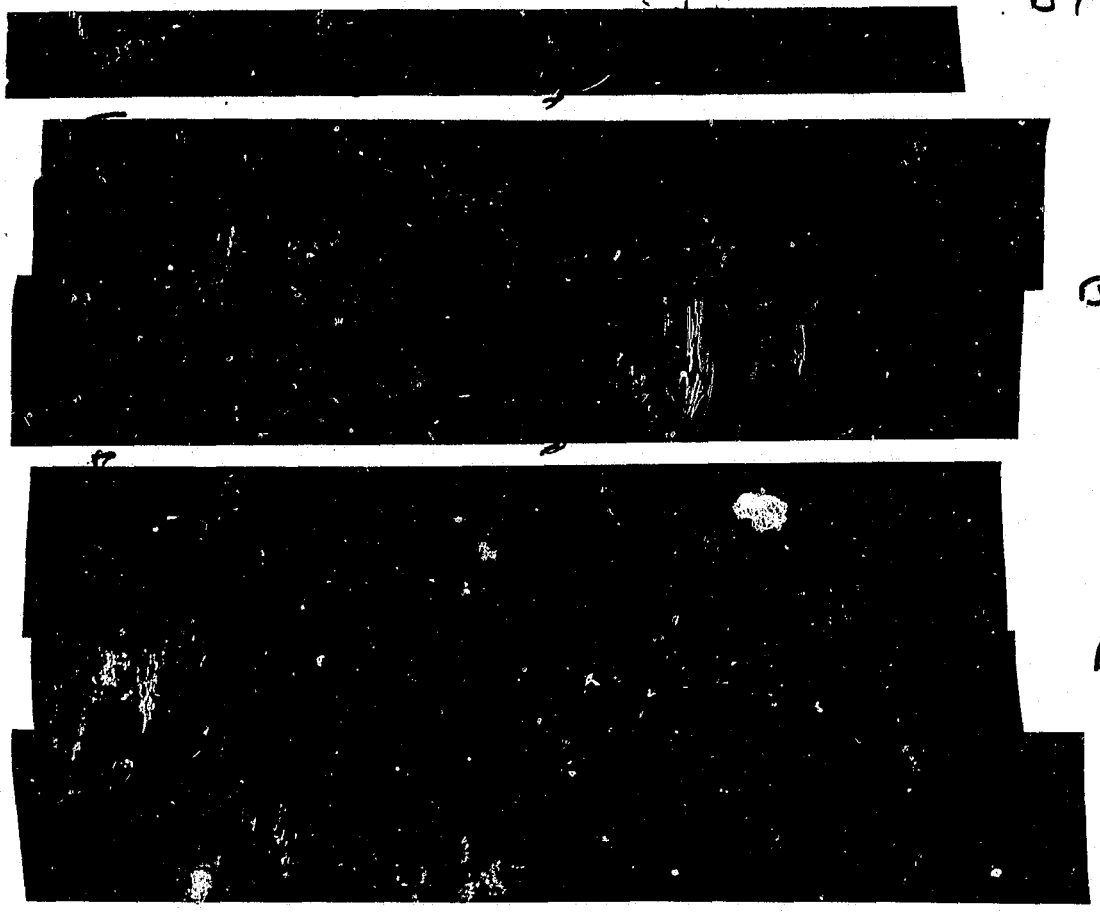
51 percent control of the remaining, French-owned oil producing companies on February 24. Libya's very close consultations over the past several months with Algeria gave substantial basis to the belief that Libya might also take a major step in the same direction in the current negotiations. Libya's chief oil negotiator and Deputy Prime Minister Abd al-Salam Jallud, Petroleum Minister Izz ad-Dih Mabruk, and other oil officials have often stressed this objective, both publicly and privately [redacted] B1



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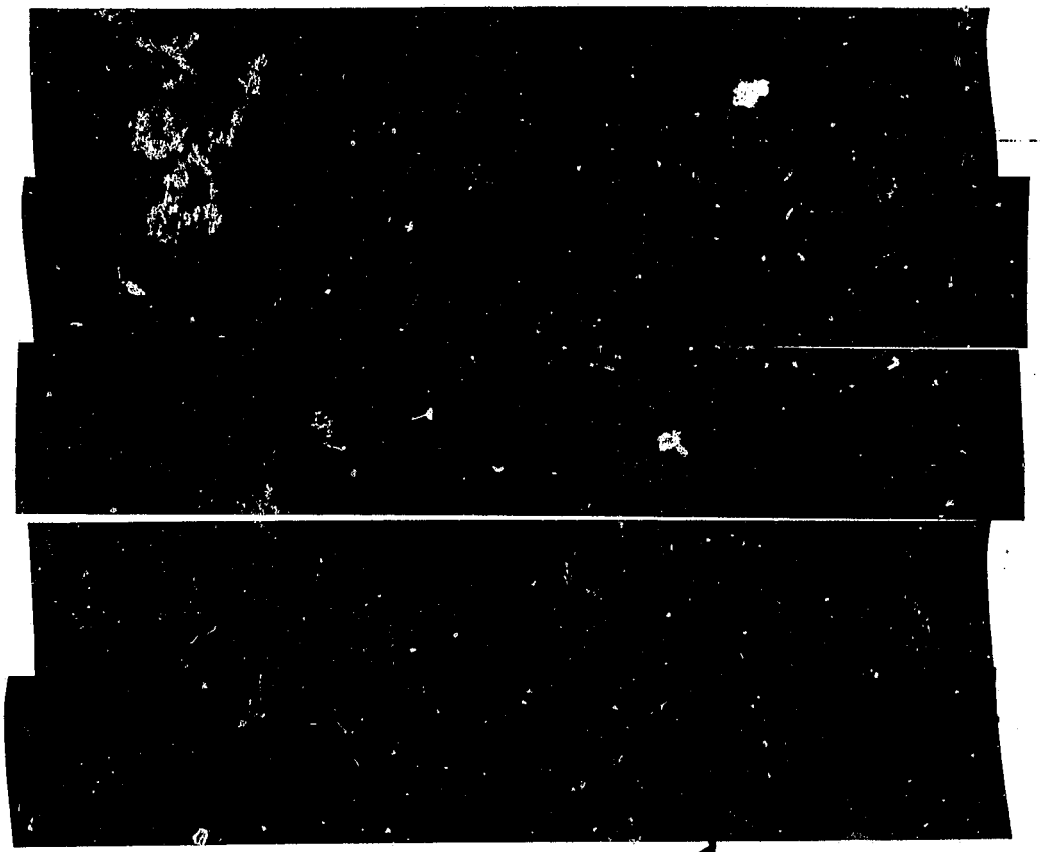
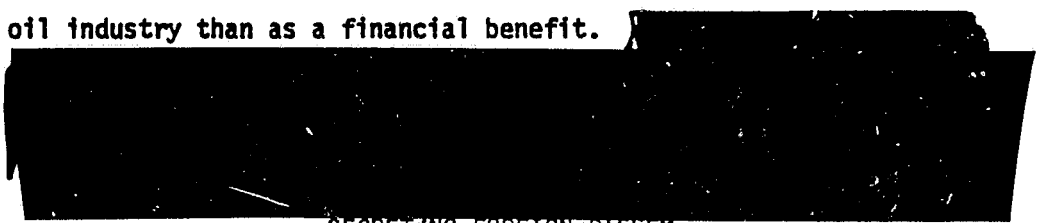


Reinvestment, the Potential Breaking Point. The companies continue to reject flatly Libya's demand for mandatory reinvestment in Libya of a portion of oil company profits, which the Libyans view more as a step toward greater control by the government over the oil industry than as a financial benefit.



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[redacted] The outcome of a debate in the RCC on this issue is anybody's guess.

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